RAJYA SABHA

Tuesday, the 10th November, 1987/ 19 Kartika, 1909 (Saka)

The House met at eleven of the clock, **Mr. Chairman** in the Chair.

ORAL ANSWERS TO QUESTIONS

Inquiry into Violation of FERA Provisions by Public Sector Banks

*41. SHRI ASHOK NATH VERMA:†
SHRI M. S. GURUPADASWAMY:

Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that the Reserve Bank is at present inquiring into the alleged violation of the provisions under the Foreign Exchange Regulations Act by the management of five public sector banks;

(b) whether it is also a fact that the inquiry has been stalled by the Boards of Directors of these five banks; and

(c) if so, what are the details in this regard and Government's reaction thereto?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI JANARDHAN POOJARI): (a) to (c) A Statement is laid on the able of the House.

Statement

(a) Presumably, the question is based on the news item appearing in the Bombay Edition of 'Financial Express' dated 19-9-1987. Inquiries have revealed that no Central Agency has submitted any report as stated in the News Item. Reserve Bank of India has, however, been requested to look into the matter.

(b) No, Sir.

(c) Does not arise.

†The question was actually asked on the floor of the House by Shri Ashok Nath Verma.

श्री अशोक नाथ वर्मा : सभापति महोदय, 'हिंदुस्तान टाइम्स' के 20 सितम्बर के अंक में यह बात छपी है कि राज्यमंत्री श्री रंगराजन जी ने पत्रकारों से बातचीत करते हुए यह कहा कि राष्ट्रीयकृत बैंकों द्वारा फेरा के उल्लंघन से सम्बंध में रिजर्व बैंक उसकी जांच करेगा। उन्होंने यह भी कहा कि इस मामले की जांच करेंगे और किसी को भी हम नहीं बख्शेंगे। क्या यह सही है, अगर नहीं तो इसका खण्डन उन्होंने किया है ?

SHRI JANARDHAN POOJARI: Sir, in a press conference at Bangalore, my attention was drawn to the news item that appeared in the *"Indian Express" and other papers* and they asked me whether I am going to look into it. Then I said that the Reserve Bank of India will be asked to look into this matter and it is not that I have stated that these banks have violated any FERA rules.

श्री अशोक नाथ वर्मा : कुछ अखबारों ने केन्द्रीय गुप्तचर विभाग का हवाला देते हुए केनरा बैंक, सिंडिकेट बैंक, बैंक आफ इंडिया, इलाहाबाद बैंक, इंडियन ओवरसीज बैंक, मल्टीनेशनल बैंक आफ क्रेडिट एंड कामर्स—इन पांच बैंकों के बारे में इशारा किया है। क्या यह सही है ?

SHRI JANARDHAN POOJARI: Sir, these are the allegations made in that news item and that is why we have asked the Reserve Bank of Indian to look into the matter.

SHRI M. S. GURUPADASWAMY: Sir, I have a report submitted by Shri Rangarajan and in the report, the details have been given and because there is no time, I am not going into all the details. But I would like to draw the attention of the Minister to the loans sanctioned by the foreign branches of our banks abroad to various people, in particular, Bank of Baroda and some other Kerala bank. I think they have so far sanctioned more than Rs. 30 crores—30 millions in terms of Pounds and Dollars, I do not know, I would like information from him. Any way, the point is, these banks have

sanctioned loans to NRIs to purchase debentures and share capital. One Krishna Murari, it is mentioned here in the report, before he ran away from India to escape punishment, sanctioned a large amount of money and Reliance is mentioned here in the report. I would like to know from the Minister—the report is already there—whether any action has been taken in respect of those people who have transgressed Reserve Bank of India directions and rules. Secondly, I would like to know why undue favours have been shown to people to purchase Reliance shares and debentures. What was the justification, reason, for such large loans?

SHRI JANARDHAN POOJARI: Sir, the question relates to a news item and in that respect, I have told in a press conference that the Reserve Bank of India has been asked to look into the matter.

Now, the news item in reference to that press conference relates to the report submitted by the Central Intelligence Agency which, according to that, has revealed large-scale violations of FERA and Reserve Bank of India rules in mobilising foreign currency non-resident deposits by the above-mentioned five public sector banks and the Bank of Credit and Commerce International. That is the question that was asked in that press conference. And my submission is that it has nothing to do with the Rangarajan Committee Report. That is a different issue and this is a different issue. If questions are put relating to this, I will answer. So far as the question raised by the honourable Member is concerned, it was raised earlier also and I replied to it; so far as this question is concerned, if the honourable Member gives me notice, I will definitely reply to that.

DR. G. VIJAYA MOHAN REDDY: In view of the fact that huge frauds are reported in the banking industry, has the Government any proposal to get at least the write-off transactions of the nationalised banks within the purview of the scrutiny of Parliament? So many things are coming out now. As has been said by my friend, Shri Gurupadaswamy, even the minimum regulations are not being observed in these banks transactions. Will the Government be prepared to get these things under the scrutiny of Parliament?

SHRI JANARDHAN POOJARI: As per the statutory provisions as well as also as per the custom, we are not expected to disclose the write-offs. Therefore, so far as his question is concerned, there is no such proopsal. Questions are always being raised in Parliament in regard to the functioning of banks. So far as write-offs are concerned, there is a statutory provision.

SHRI NIRMAL CHATTERJEE: The honourable Minister has mentioned that the Reserve Bank of India has been requested to look into the matter. What is the upshot of looking into the matter? That is my first question Secondly, would the Minister agree that in view of the secrecy amendments which have been passed in the course of the last few Sessions violation of FERA, corruption, all these things are becoming more possible than before and, therefore, a second look would be necessary and the secrecy clauses that are kept for bank deposits, bank operations, etc. should be removed from the statute book?

SHRI JANARDHAN POOJARI: So far as the first part of the question is concerned, the Reserve Bank has been asked to conduct a detailed inquiry into this affair. So far as the second part of the question is concerned...

SHRI NIRMAL CHATTERJEE: Is their report not available?

SHRI JANARDHAN POOJARI: We have asked them to conduct an inquiry. We have asked them to look into this matter in detail. So far as the second part is concerned, so far as the functioning of the banks is concerned,

even the honourable Member is aware of the fact that so many questions have been put in respect of the functioning of the banks and also the Estimates Committee has been looking into the functioning of even, for example, assistance to weaker sections, how it is to be implemented. All these are being looked into by the Parliamentary Committee and also resolutons have been moved and discussions held in the House also...

AN HON. MEMBER: Please speak louder. We cannot hear you.

MR. CHAIRMAN. Yes, Mr. Minister, please speak loudly. Let us keep these mikes properly workig. You will have to get these mikes set right. I also find difficulty sometimes.

SHRI JANARDHAN POOJARI: I shall speak loudly, Sir.

That is why we think there is no need to have a second look.

SHRI A. G. KULKARNI: When the Minister was replying to the honourable Shri Gurupadaswamy he mentioned the name of one of the banks, the Bank of Credit and Commerce International. Is the Minister aware that this bank and particularly some other foreign banks coming from Gulf countries like the Bank of Oman etc. are notoriously violating FERA and RBI guidelines? In this connection, Sir, I want to know from the honourable Minister specifically whether one Mr. Murari, who was the Chief Executive of this International Bank of Credit and Commerce, was served a notice under the COFEPOSA. Sir, it is learnt that he ran away and now he has come back cosily and is carrying on with his job as the Chief Executive of this Bank. Will the honourable Minister at least assure this House that whatever may be his connections with industrialists—you know, the Rangarajan Committee has recommended something and I do not want to mention all those things now—when a person is served with a notice under the COFEPOSA and he runs away and then comes back and is cosily working as the Chief Executive of the Bank, action will be taken. At least can you do this?

SHRI JANARDHAN POOJARI: Sir, I am thankful to the honourable Member for putting this question. But, Sir, the question is very specific. Mr. Kulkarni, you are a senior Member...

SHRI A. G. KULKARNI: Senior or junior is not the problem. But the problem is one of principle. Whether I am a senior Member or a junior Member is not the problem; we are all equal here.

SHRI JANARDHA NPOOJARI: Sir, the question that has been asked is whether it is a fact that the Reserve Bank is at present inquiring into the alleged violation of the provisions under the Foreign Exchange Regulations Act by the management of five public sector banks. So, Sir, the question is very specific and I have prepared myself for answering this question about the public sector banks. If the honourable Member can kindly put another question and if he can give notice, definitely I will answer because, Mr. Kulkarni, you are a very very meticulous Member and if I commit any mistake, you will haul me up. At least for that reason, you kindly give a fresh notice and I will definitely answer.

SHRI A. G. KULKARNI: Sir, I need your protection. Sir, he himself has taken the name of the International Bank of Credit and Commerce. I have not brought in that name, Mr. Minister, you have taken the name yourself and now you say that you have prepared for answering this question only. For which question you have prepared yourself and for which question you have not prepared I do not know. I am asking certain questions. Either you fail in the examination or you succeed in the examination. You do whatever you like. Sir, please ask him. He has himself taken the name of this Bank;

I have not mentioned that name. Or, Mr. Tiwari must come to my help because you sit silently and laugh. (*Interruptions*)... and it is difficulty for us. Sir, you please help us by asking either the senior Minister or the Minister of State—I do not mind—to say something about some executive of a bank being served with a notice under the COFEPOSA, his running away and coming back and working again as the Chief Executive. What is it that is going on?

SHRI JANARDHAN POOJARI: Sir, here the honourable Member was pleased to ask this question. But I have been asked in the very same House by your predecessor also to continue myself to the question only and not to any other aspect. So, I am strictly following the advice given by the House. Now, Sir, here what I stated earlier is about the Press conference which relates to this news item. Now, two honourable Members of this House have put a question regarding the five public sector banks and they have asked nothing about any foreign banks. My point is whether I should answer this question. If the honourable Member gives me notice, definitely I will answer. We do not want to suppress anything. But we should be very clear and we should also be to the point.

MR. CHAIRMAN: Mr. Kulkarni says that you yourself mentioned the names in your reply about which he is asking now. That is what he says.

SHRI JANARDHAN POOJARI: Sir, I have mentioned it in relation to the news item and I have not mentioned anything else. ...(*Interruptions*)...

SHRI A. G. KULKARNI: Sir, you come to our rescue and do justice. You give us your judicious interpretation. He mentioned the names. I asked a question about this Bank and now he withdraws from this and refers to an earlier ruling that he should confine himself to the main question. Sir, I can read between the lines and I know what is a fact and what is not a fact. But this does no credit to the Government. That is all.

SHRI JANARDHAN POOJARI: Sir, so far as the question of reading between the lines is concerned...(*Interruptions*)...

MR. CHAIRMAN: He says that you have brought in the name of that Bank.

SHRI JANARDHAN POOJARI: I have not stated that. I have only stated that the news item is relating to that Bank also. I have not stated anything else and I have not brought in the name in any other connection. The question of the news item was brought in by the honourable Member. Anyway, if the hon. Member wants it, if the Chair permits me I will definitely answer.

MR. CHAIRMAN: Kindly do.

SHRI JANARDHAN POOJARI: I will look into this matter also which has been raised by the hon. Member.

SHRI VALAMPURI JOHN: The Minister has said that the Reserve Bank has been requested to look into this matter. But I would like to bring to his notice a very specific instance. The Manager of the Punjab National Bank, London Branch, resigned several months earlier. But he resigned only after serious violations of the FERA. After his resignation he has joined the London firm whom he was helping as the Manager. It is a very clear case of gross violation of the FERA. I would like to know from the Minister whether this specific case has been looked into.

SHRI JANARDHAN POOJARI: The question relates to five public sector banks: Syndicate Bank, Canara Bank, Allahabad Bank, Bank of India, Indian Overseas Bank and the International Bank of Credit and Commerce. I am not expected to answer about the Punjab National Bank.

SHRI VALAMPURI JOHN: This is also a nationalised bank. It is gross....

SHRI JANARDHAN POOJARI: It you kindly write to me, I will look into that also.

SHRI JASWANT SINGH: With your permission, Sir, I submit that the ministerial benches keep on taking shelter behind "if you write to me then I will look into it". Sir, this is not...

MR. CHAIRMAN: In this case it is justified in the sense that the whole question of FERA violations was made. That you can discuss.

SHRI BIR BHADRA PRATAP SINGH: Sir, it is a fact that the question relates to five nationalised banks alone. And it is also a fact that 8 or 9 of them have their branches in London. It is also a fact that out of these 8 or 9, 4 of them have declared to close down because of economic losses. So if you are trying or compelling these banks to open their branches outside the country, it will have its repercussions on the national economy. There is no dearth of examples. What I want to submit is that there are a lot of FERA violations reported. I do not want to go into that. Now the Reserve Bank of India has taken it up. I want that this House should take it more seriously. We are suffering huge losses. Now, my specific question is: what about loans given in foreign countries? How many such loans have been written off as bad debt? The nation is interested to know this. Second aspect is, how many branches outside the country have been indulging in such banking without permission, proper permission, of the Reserve Bank of India? What about such activities and what specific action is he going to take in this regard?

SHRI JANARDHAN POOJARI: Sir, so far as the writing off of loans by such banks is concerned, as I have stated earlier, there is a statutory provision. So far as other aspects are concerned, if specific instances are brought to our notice, we will definitely look into the matter and we will not suppress and we will not spare anybody. But some such instances are to be brought to our notice.

श्री चतुरानन मिश्र : सभापति जी, मैं मन्त्री महोदय से यह जानना चाहता हूं कि किस तारीख को रिजर्व बैंक को आपने इस रेफर किया और अब तक इसकी रिपोर्ट आने वाली है और जो रेफर किया गया है, उसके मुद्दे क्या हैं ?

What are the issues referred to the Reserve Bank? What is the specific date on which they were referred and by what time you are getting the report?

SHRI JANARDHAN POOJARI: Sir, as soon as it has been brought to my notice, immediately in the press conference itself when the press reports have been brought to my notice, I have said that I will ask the Reserve Bank to look into the matter.

SHRI CHATURANAN MISHRA: I want the date.

SHRI JANARDHAN POOJARI: And the Reserve Bank on its own, *suo motu* is also taking cognizance of it. But on 2-11-1987 I stated that a detailed enquiry should be made and nobody should be spared also if there is any violation. If there is no violation, we should not also harp on that.

SHRI CHATURANAN MISHRA: I wanted to know by which time the report is expected and what are the specific issues referred to the Reserve Bank. On these two points, Sir, he has not replied and I seek your protection.

SHRI JANARDHAN POOJARI: Sir, there is no specific issue. We have asked the Reserve Bank of India to make a detailed enquiry. These points raised here also will be referred to the Reserve Bank. Even the probing questions raised here will also be referred to the Reserve Bank of India. And we will ask the Reserve Bank to submit the report as early as possible.

SHRI JAGESH DESAI: Mr. Chairman, Sir, I would like to know from the hon. Minister whether the Ministry has taken up with the Reserve Bank of India as to what extent the enquiry has progressed at present and whether any kind of interim report has been given by the Reserve Bank to the Government for taking necessary action.

SHRI JANARDHAN POOJARI: Sir, earlier the Reserve Bank of India have stated that no agencies as referred in the news item have conducted any enquiry. And we have stated that they should make a detailed enquiry. That is the thing.

MR. CHAIRMAN: Question No. 42.

Raids conducted by the enforcement directorate in Delhi

*42. SHRI MAHENDRA PRASAD:
DR. RATNAKAR PANDEY:†

Will the Minister of FINANCE be pleased to state the details of the raids conducted by the Enforcement Directorate in Delhi during the past three months, indicating the total amount of black money and the extent of tax evasion detected as a result thereof?

THE MINISTER OF STATE IN THE DEPARTMENT OF EXPENDITURE IN THE MINISTRY OF FINANCE (SHRI B. K. GADHVI): The Directorate of Enforcement has been entrusted with the task of enforcing the provisions of Foreign Exchange Regulation Act. During the past three months i.e. 1-7-1987 to 30-9-1987, the Directorate had conducted 48 searches in Delhi resulting in the seizure of foreign currency worth Rs. 11,500/- and Indian currency amounting to Rs. 1,68,800/-.

डा० रत्नाकर पाण्डेय : माननीय सभापति जी, आपकी अध्यक्षता में पहली बार वाणी उच्चारित कर रहा हूं। आपका अभिनन्दन करते हुए मैं माननीय मंत्री जी के जवाब पर आना चाहता हूं ? तीन महीने में कुल 48 तलाशियां ली गई और 11,500 रुपये के बराबर विदेशी मुद्रा तथा 1,68,800 रुपये की भारतीय मुद्रा जब्त की गई है। मैं मंत्री महोदय से जानना चाहता हूं कि यह तलाशियां हमारे प्रवर्तन निदेशालय द्वारा ली जाती हैं इनका सूत्र क्या होता है तलाशियां लेने का और इन 48 तलाशियों में कितने लोग ऐसे हैं जिनका इन तलाशियों के उपबन्धों में जांच के बाद नहीं आ पाया। इसी के साथ यह भी जानना चाहता हूं कि इस में कितने प्राइवेट सेक्टर के बड़े घराने थे और उन में क्या एक्सप्रेस समूह पर भी छापा पड़ा था और उसका विस्तृत विवरण क्या है ? यह मैं माननी मंत्री महोदय से जानना चाहता हूं।

श्री बी० के० गढवी : वैसे तलाशी लेने के बहुत से सूत्र होते हैं। हमको अगर इन्फारमेशन मिलती है जानकारी आती है तो तलाशी ली जाती है। इसमें 48 दिये हैं ये दिल्ली में आते हैं। मगर एक्सप्रेस ग्रुप की जो बात कही है उसके लिए अलग से क्वेश्चन आज है, वह अलग से क्वेश्चन पूछा है। एक्सप्रेस ग्रुप के ऊपर जो रेड हुई थी वह डाइरेक्ट्रेट आफ इन्फोर्समेंट ने नहीं की थी किसी दूसरी एजेंसी ने की थी इसलिए उसका जवाब जब सवाल आयेगा तब दूंगा। मगर इन तलाशियों में पब्लिक सेक्टर का नहीं है। अगर मेम्बर चाहें तो मैं पूरे 48 नाम यहां पढ सकता हूं लेकिन इससे वक्त जाया होगा। आपको भेज सकता हूं कि किन-किन की तलाशी हुई है।

डा० रत्नाकर पाण्डेय : माननीय सभापति जी, मैं जानना चाहता हूं कि 48 में से कितने लोग निर्दोष निकले, उनकी संख्या और उनका नाम भी माननीय मंत्री जी बता दें और इसी के साथ ही ऐसी जानकारी मिली है कि कुछ इन्कम टैक्स आफिसर जबर्दस्ती पर्सनल ग्रीवांस के लिए इस तरह की कार्यवाही करते हैं और उसमें जो मैरिज प्रोपोजल और इस तरह की जो चीजें होती हैं उनके लिए जो धनराशि रखी जाती है उस पर भी छापा मारते हैं और वह सत्य नहीं निकलता है। इस संबंध में क्या जानकारी मंत्री जी देना चाहते हैं यह मैं जानना चाहता हूं।

†The question was actually asked on the floor of the House by Dr. Ratnakar Pandey.